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2000 West Ameritech Center Drive
4G50
Hoffman Estates, IL 60196
Office 847/248-3398
Fax 847/248-2180

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Federal Communications Commission
Office of Secretary

Robin Gleason
Director - Regulatory Finance

EX PARTE OR LATE FILED

October 22, 1996

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

RE: Ameritech Operating Companies' Submission of Revisions to
their Cost Allocation Manual -- AAD 7-1668 and CC Docket
No. 96-128

Dear Mr. Caton,

The Ameritech Operating Companies -- Illinois Bell Telephone Company, Indiana Bell Telephone Company, Incorporated, Michigan Bell Telephone Company, The Ohio Bell Telephone Company, and Wisconsin Bell, Inc. -- with this letter, file revisions to their Ameritech Cost Allocation Manual (ACAM) in accordance with the Commission's Report and Order on pay telephone (See In the Matter of Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, released September 20, 1996, the "Order"). Ameritech is required to file revisions to the ACAM no later than February 14, 1997 or within sixty (60) days prior to reclassifying pay telephone equipment in Account 2351, Public Telephone Terminal Equipment, from regulated to nonregulated (See the Order at paragraphs 163 and 369). Ameritech has sought clarification on the timing of the implementation of the Order. Specifically, Ameritech has requested clarification on whether the accounting reclassification and other required changes enabling collection of the flat rate interim compensation plan must occur on dates specified in the order or whether earlier implementation can occur (See Petition of Ameritech For Reconsideration or Clarification of the Order filed October 21, 1996).

All revisions are filed in accordance with the Commission's Memorandum Opinion and Order in the matter of Ameritech Operating Companies' Permanent Cost Allocation Manual for the Separation of Regulated and Nonregulated Costs, released January 29, 1988 in AAD 7-1668, Responsible Accounting Officer (RAO) Letter 19, Format and Filing Procedures, released December 31, 1991, and Section 64.903 of the Commission's Rules, Cost Allocation Manuals.

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Pursuant to the filing procedures described in RAO Letter 19, attached is a current page index and a summary explaining the current revisions.

Sincerely,

Robin M. Gleason

Attachments

cc: Mr. Kenneth P. Moran, Chief, Accounting and Audits Division
Mr. Kenneth Ackerman, Chief, Accounting Systems Branch
International Transcription Service

October 22, 1996 Summary of Revisions to the
Ameritech Operating Companies (AOCs) Part 64 Cost Allocation Manual (ACAM)

<u>Item Number</u>	<u>Page(s) (USOA Account)</u>	<u>Change From</u>	<u>Change To</u>	<u>Reason For Change</u>	<u>Quantification Statement</u>
1	1 - 4	The "Date Revised" column has been changed for certain pages of Sections II and VI.	The "Date Revised" column has been changed to 10/22/96 for certain pages of Sections II and VI.	To identify the most current version of each page within the ACAM.	Not Applicable
2	II-1 II-3 II-5-6	Not Applicable	<u>Payphone Equipment</u> The AOCs' payphone equipment has been reclassified to nonregulated status pursuant to the Order in CC Docket No. 96-128 released September 20, 1996. To the extent that this equipment will use the tariffed offerings of the AOCs, these services will be charged to the nonregulated activity at the tariffed rate.	To identify a new nonregulated service in the ACAM. The Commission has required that incumbent LEC payphones be treated as nonregulated. CAM revisions are required no later than February 14, 1997, or within sixty (60) days prior to the reclassification (§163 and §369 of the Order). In Ameritech's Petition for Reconsideration filed October 21, 1996, Ameritech requested clarification on the timing of dates specified in the Order, or whether earlier implementation can occur.	Not Applicable

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<u>Item Number</u>	<u>Page(s) (USOA Account)</u>	<u>Change From</u>	<u>Change To</u>	<u>Reason For Change</u>	<u>Quantification Statement</u>
3	VI-1	... Subsidiary record categories are maintained to identify revenues for each nonregulated activity in Account 5280.	... Subsidiary record categories are maintained to identify revenues for each nonregulated activity in Account 5280. Additionally, a revenue analysis (defined in a later discussion in this manual) of nonregulated sources is performed to determine which revenues that are not assigned to Account 5280, are associated with nonregulated activities.	A revenue analysis has been added to accommodate new cost pools to account for nonregulated revenue derived from Ameritech's reclassified payphone equipment.	Not Applicable. See Item Numbers 4 and 9 below.

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4	VI-8	Not Applicable	<p><u>Revenue Analysis</u></p> <p>Accounts where a revenue analysis is performed require a review of underlying revenue transactions. This analysis is used where it is not possible to directly assign costs to Account 5280, Nonregulated Operating Revenue within the accounting systems used by the AOCs.</p> <p>A revenue analysis locating sources of nonregulated revenue is used to identify nonregulated cost pools in the following revenue accounts:</p> <ul style="list-style-type: none"> • Account 5001: Basic Area Revenue • Account 5050: Customer Premises Revenue • Account 5060: Other Local Exchange Revenue • Account 5081: End User Revenue • Account 5082: Switched Access Revenue • Account 5084: State Access Revenue • Account 5100: Long Distance Message Revenue • Account 5230: Directory Revenue • Account 5262: Customer Operations Revenue • Account 5263: Plant Operations Revenue • Account 5264: Other Incidental Regulated Revenue 	This analysis has been added to accommodate new cost pools to account for nonregulated revenue derived from Ameritech's reclassified payphone equipment.	Not Applicable. See Item Number 9 below.

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<u>Item Number</u>	<u>Page(s)</u> <u>(USOA Account)</u>	<u>Change From</u>	<u>Change To</u>	<u>Reason For Change</u>	<u>Quantification Statement</u>
5	VI-19 (1220)	Relative Cost: Telecommunications Plant Investment Accounts 2112, 2122, 2123, 2124, 2211-2232, 2311-2362, 2411-2441 (Less Accounts 2311, 2341)	Relative Cost: Telecommunications Plant Investment Accounts 2112, 2122, 2123, 2124, 2211-2232, 2311-2362, 2411-2441 (Less Accounts 2311, 2341 and 2351)	The regulated/ nonregulated apportionment basis for the Other cost pool in Account 1220, Inventories has been modified to reflect the reclassification of payphone equipment to nonregulated operations pursuant to the Order in CC Docket No. 96-128 released September 20, 1996.	This change results in an estimated net annual decrease in the AOCs regulated operations of less than \$100 thousand.
6	VI-30 (2351)	<ul style="list-style-type: none"> • Regulated • Nonregulated Cost Pool Apportionment Basis: <ul style="list-style-type: none"> • Cost Pool Equals Field Reporting Codes Regulated/Nonregulated Apportionment Basis: <ul style="list-style-type: none"> • Directly Assigned to Regulated • Directly Assigned to Nonregulated 	<ul style="list-style-type: none"> • Nonregulated Cost Pool Apportionment Basis: <ul style="list-style-type: none"> • Cost Pool Account Regulated/Nonregulated Apportionment Basis: <ul style="list-style-type: none"> • Directly Assigned to Nonregulated 	Account 2351, Public Telephone Terminal Equipment has been modified to assign the entire account value to nonregulated reflecting the reclassification of payphone equipment to nonregulated status pursuant to the Order in CC Docket No. 96-128 released September 20, 1996.	This change results in an estimated net annual decrease in the AOCs regulated operations of \$165,100 thousand.

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Item Number	Page(s) (USOA Account)	Change From	Change To	Reason For Change	Quantification Statement
7	VI-32 (3100)	<ul style="list-style-type: none"> Information Origination/Termination <p>Cost Pool Apportionment Basis:</p> <ul style="list-style-type: none"> Cost Pool Equals Information Origination/Termination Accounts Excluding Nonregulated CPE and Large Private Branch Exchanges <p>Regulated/Nonregulated Apportionment Basis:</p> <ul style="list-style-type: none"> Relative Cost: Information Origination/Termination Investment Accounts 2311-2362 Less Accounts 2311 and 2341 	<ul style="list-style-type: none"> Information Origination/Termination <p>Cost Pool Apportionment Basis:</p> <ul style="list-style-type: none"> Cost Pool Equals Information Origination/Termination Accounts Excluding Nonregulated CPE, Large Private Branch Exchanges and Public Telephone Terminal Equipment <p>Regulated/Nonregulated Apportionment Basis:</p> <ul style="list-style-type: none"> Relative Cost: Information Origination/Termination Investment Accounts 2311-2362 Less Accounts 2311, 2341 and 2351 	<p>The cost pool and regulated/nonregulated apportionment bases for the Information Origination/Termination cost pool in Account 3100, Accumulated Depreciation have been modified to reflect the reclassification of payphone equipment to nonregulated operations pursuant to the Order in CC Docket No. 96-128 released September 20, 1996.</p>	<p>This change results in an estimated net annual decrease in the AOCs regulated operations of \$94,000 thousand.</p>

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Item Number	Page(s) (USOA Account)	Change From	Change To	Reason For Change	Quantification Statement																								
8	VI-36 (5010)	<ul style="list-style-type: none">• Telecommunications <p>Cost Pool Apportionment Basis:</p> <ul style="list-style-type: none">• Cost Pool Equals Account <p>Regulated/Nonregulated Apportionment Basis:</p> <ul style="list-style-type: none">• Directly Assigned to Regulated	<ul style="list-style-type: none">• Nonregulated <p>Cost Pool Apportionment Basis:</p> <ul style="list-style-type: none">• Cost Pool Equals Account <p>Regulated/Nonregulated Apportionment Basis:</p> <ul style="list-style-type: none">• Directly Assigned to Nonregulated	Amounts in Account 5010, Public Telephone Revenue have been assigned directly to nonregulated activities to reflect the reclassification of payphone equipment to nonregulated operations pursuant to the Order in CC Docket No. 96-128 released September 20, 1996.	This change results in an estimated net annual decrease in the AOCs regulated operations of \$271,300 thousand.																								
9	VI-36-36a (5001) (5050) (5060) (5081) (5082) (5084) (5100) (5230) (5262) (5263) (5264)	Not Applicable	<ul style="list-style-type: none">• Nonregulated <p>Cost Pool Apportionment Basis:</p> <ul style="list-style-type: none">• Revenue Analysis <p>Regulated/Nonregulated Apportionment Basis:</p> <ul style="list-style-type: none">• Directly Assigned to Nonregulated	A nonregulated cost pool has been added to several revenue accounts the amounts in which will be determined through a revenue analysis. This analysis is utilized where it is not possible to assign revenue directly to Account 5280, Nonregulated Operating Revenue.	<p>This change results in an estimated net annual decrease in the AOCs regulated operations by account:</p> <table><tr><th>Part 32 Acct.</th><th>Dollars in Thousands</th></tr><tr><td>5001</td><td>\$ 16,400</td></tr><tr><td>5050</td><td>\$ 200</td></tr><tr><td>5060</td><td>\$ 200</td></tr><tr><td>5081</td><td>\$ 2,000</td></tr><tr><td>5082</td><td>\$ 22,000</td></tr><tr><td>5084</td><td>\$ 3,400</td></tr><tr><td>5100</td><td>\$ 75,100</td></tr><tr><td>5230</td><td>\$ 100</td></tr><tr><td>5262</td><td>\$ 300</td></tr><tr><td>5263</td><td>\$ 100</td></tr><tr><td>5264</td><td>\$ 100</td></tr></table>	Part 32 Acct.	Dollars in Thousands	5001	\$ 16,400	5050	\$ 200	5060	\$ 200	5081	\$ 2,000	5082	\$ 22,000	5084	\$ 3,400	5100	\$ 75,100	5230	\$ 100	5262	\$ 300	5263	\$ 100	5264	\$ 100
Part 32 Acct.	Dollars in Thousands																												
5001	\$ 16,400																												
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5081	\$ 2,000																												
5082	\$ 22,000																												
5084	\$ 3,400																												
5100	\$ 75,100																												
5230	\$ 100																												
5262	\$ 300																												
5263	\$ 100																												
5264	\$ 100																												

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<u>Item Number</u>	<u>Page(s) (USOA Account)</u>	<u>Change From</u>	<u>Change To</u>	<u>Reason For Change</u>	<u>Quantification Statement</u>
10	VI-44 (6351)	<ul style="list-style-type: none"> • Regulated • Nonregulated <p>Cost Pool Apportionment Basis:</p> <ul style="list-style-type: none"> • Cost Pool Equals Field Reporting Codes <p>Regulated/Nonregulated Apportionment Basis:</p> <ul style="list-style-type: none"> • Directly Assigned to Regulated • Directly Assigned to Nonregulated 	<ul style="list-style-type: none"> • Nonregulated <p>Cost Pool Apportionment Basis:</p> <ul style="list-style-type: none"> • Cost Pool Equals Account <p>Regulated/Nonregulated Apportionment Basis:</p> <ul style="list-style-type: none"> • Directly Assigned to Nonregulated 	<p>Account 6351, Public Telephone Terminal Equipment Expense has been modified to assign the entire account value to nonregulated reflecting the reclassification of payphone equipment to nonregulated status pursuant to the Order in CC Docket No. 96-128 released September 20, 1996.</p>	<p>This change results in an estimated net annual decrease in the AOCs regulated operations of \$23,000 thousand.</p>

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11	VI-51 (6533)	<ul style="list-style-type: none"> • Public Telephone Testing <p>Cost Pool Apportionment Basis:</p> <ul style="list-style-type: none"> • Cost Pool Equals Field Reporting Codes <p>Regulated/Nonregulated Apportionment Basis:</p> <ul style="list-style-type: none"> • Directly Assigned to Regulated 	<ul style="list-style-type: none"> • Public Telephone Testing <p>Cost Pool Apportionment Basis:</p> <ul style="list-style-type: none"> • Cost Pool Equals Subaccounts <p>Regulated/Nonregulated Apportionment Basis:</p> <ul style="list-style-type: none"> • Directly Assigned to Nonregulated 	<p>The cost pool and regulated/nonregulated apportionment bases for the Public Telephone Testing cost pool in Account 6533, Testing Expense have been modified to reflect the reclassification of payphone equipment to nonregulated operations pursuant to the Order in CC Docket No. 96-128 released September 20, 1996. Note that the remaining cost pool apportionment bases in this account have also been modified to reflect subaccount refinement which has no impact on regulated operations.</p>	<p>This change results in an estimated net annual decrease in the AOCs regulated operations of less than \$100 thousand.</p>

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<u>Account</u>	<u>Change From</u>	<u>Change To</u>	<u>Reason For Change</u>	<u>Quantification Statement</u>
	<ul style="list-style-type: none"> Information Origination/Termination <p>Cost Pool Apportionment Basis:</p>	<ul style="list-style-type: none"> Information Origination/Termination <p>Cost Pool Apportionment Basis:</p>	<p>The cost pool and regulated/nonregulated apportionment bases for the Information Origination/Termination cost pool in Account 6561, Depreciation Expense - Telecommunications Plant In-Service have been modified to reflect the reclassification of payphone equipment to nonregulated operations pursuant to the Order in CC Docket No. 96-128 released September 20, 1996.</p>	<p>This change results in an estimated net annual decrease in the AOCs regulated operations of \$19,000 thousand.</p>
	<ul style="list-style-type: none"> Relative Charges/Credits to Account 3100 Information Origination/Termination Subaccounts Excluding Nonregulated CPE and Large Private Branch Exchanges and Equal Access <p>Regulated/Nonregulated Apportionment Basis:</p>	<ul style="list-style-type: none"> Relative Charges/Credits to Account 3100 Information Origination/Termination Subaccounts Excluding Nonregulated CPE, Large Private Branch Exchanges and Public Telephone Terminal Equipment and Equal Access <p>Regulated/Nonregulated Apportionment Basis:</p>		
	<ul style="list-style-type: none"> Relative Cost: Information Origination/Termination Investment Accounts 2311-2362 Less Accounts 2311, 2341 and Equal Access 	<ul style="list-style-type: none"> Relative Cost: Information Origination/Termination Investment Accounts 2311-2362 Less Accounts 2311, 2341, 2351 and Equal Access 		

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13	VI-55 (6623)	<ul style="list-style-type: none"> • Payphone Commissions • Customer Services: Regulated <p>Cost Pool Apportionment Basis:</p> <ul style="list-style-type: none"> • Cost Pool Equals Subaccount(s) <p>Regulated/Nonregulated Apportionment Basis:</p> <ul style="list-style-type: none"> • Directly Assigned to Regulated 	<ul style="list-style-type: none"> • Customer Services: Nonregulated & Payphone Commissions <p>Cost Pool Apportionment Basis:</p> <ul style="list-style-type: none"> • Cost Pool Equals Subaccounts <p>Regulated/Nonregulated Apportionment Basis:</p> <ul style="list-style-type: none"> • Directly Assigned to Nonregulated 	<p>The Payphone Commissions and Customer Services: Regulated cost pools and their associated regulated/nonregulated apportionment bases in Account 6623, Customer Services have been combined and modified to reflect the reclassification of payphone equipment to nonregulated operations pursuant to the Order in CC Docket No. 96-128 released September 20, 1996.</p>	<p>This change results in an estimated net annual decrease in the AOCs regulated operations of \$76,700 thousand.</p>



PART 64 COST ALLOCATION MANUAL

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II. DESCRIPTION OF NONREGULATED ACTIVITIES

OVERVIEW

The following nonregulated activities currently offered meet the requirements of the Part 64 Rules and Regulations:

- Customer Dialed Account Recording (CDAR)
- Debit Card
- Digital Network Channel Terminating Equipment (NCTE)
- Enhanced (Facsimile) Fax Service
- Enhanced Services Planning
- Inmate Services
- Inside Wire
- Joint Marketing of Enhanced Services
- Marketing of a Bank Credit Card
- Message Delivery Service (MDS)
- Payphone Equipment
- Personal Access Services (PAS)
- Professional Services
- Protocol Conversion
- Sales, Installation and Maintenance of Customer Premises Equipment (CPE)
- Software Sales
- Spread Spectrum Alarm Service
- Voice Messaging Services (VMS)

Each activity is not offered by all of the AOCs. Where an activity is offered, the appropriate costs and expenses will be treated in accordance with the methods outlined in this Manual (See Exhibit II-1).

NONREGULATED ACTIVITIES

CDAR

The Centrex feature Customer Dialed Account Recording (CDAR) is only offered in connection with the tariffed Station Message Detailed Recording (SMDR) feature. CDAR enables the customer to add an account numbers to the Automatic Message Recording (AMA) record of any call which is subsequently detailed on the customer's bill.

Debit Card

This activity could include the production and distribution of plastic cards which may have an encoded magnetic strip, and may be imprinted with unique account codes. The purchase of each card will represent the potential future use of regulated calling services accessed through an 800 number, such as intraLATA and interLATA (agreements with interexchange carriers will allow the customer the ability to choose a long distance company) calling services. These cards will be issued in various denominations, and will always include Ameritech's corporate logo. Additionally, this activity will include debit card promotion such as the creation of commercial greeting cards that will include a debit card, production of vanity debit cards with other corporate/private association logos, seasonal themes, depiction of Midwestern heritage, etc. The AOCs will recognize regulated revenue as the cards are used. When the usage occurs, nonregulated revenue for this activity will be reduced at the regulated tariffed rate and/or by the rates charged by the interexchange carrier used by the customer.

Digital NCTE

Digital Network Channel Terminating Equipment (NCTE) is generally associated with the provision of 1.544 Mbps Private Line Service. The equipment performs functions such as signal regeneration and circuit termination.

NONREGULATED ACTIVITIES (Continued)

Message Delivery Service

Message Delivery Service (MDS) provides customers a means of recording a message and having delivery attempts made to a called party when a busy or no answer condition exists. An interactive menu instructs the customer how to operate the service. At various prompts, the customer is instructed to record the calling party's name, their own name and a message of limited length. The service then makes several attempts to reach the called party. This service is considered comparable to telephone answering equipment and voice messaging services. This service may be accessed from pay telephones and Ameritech intends to conduct a trial. Enhanced features for this service may include deferred delivery, monitoring the status of the message delivery, remote access, modification of the message and the delivery date and time, interaction with prerecorded information among other features. MDS is provided by equipment that is separate and distinct from other central office equipment. To the extent that Message Delivery Services utilize the tariffed offerings of the AOCs, these services will be charged to the nonregulated activity at the tariffed rate.

Payphone Equipment

The AOCs' payphone equipment has been reclassified to nonregulated status pursuant to the Order in CC Docket No. 96-128 released September 20, 1996. To the extent that this equipment will use the tariffed offerings of the AOCs, these services will be charged to the nonregulated activity at the tariffed rate.

Personal Access Services (PAS)

Nonregulated personal access services are enhanced features which will permit increased end user accessibility. Functions of PAS allow stored fax information, voice mail and screening capability (e.g., PIN, recorded name and spoken caller number) transmission to an end user in accordance with an end user programmed call treatment hierarchy. To the extent that the PAS platform will utilize regulated services, they will be billed to the nonregulated activities at the tariffed rate.

Professional Services

The AOCs will market an array of professional (e.g., legal, tax, marketing, human resources, etc.) services provided by third party vendors as well as those developed internally.

Protocol Conversion

Protocol conversion is an enhanced service adjunct to three different classes of underlying basic services: 1) exchange telephone services; 2) private line service; and 3) the Ameritech Packet Switched Network (APSN). Protocol conversion includes conversion of a customer's protocol to a network compatible protocol or any other desire protocol.

Sales, Installation and Maintenance of CPE

Ameritech Information Systems, Inc., a wholly-owned subsidiary of Ameritech Corporation, markets, installs and maintains customer premises equipment (CPE). The cost allocation methodologies specified for CPE in this Manual apply when the AOCs market, install or maintain CPE directly and/or market, install or maintain CPE in support of Ameritech Information Systems.

Software Sales

Nonregulated Software Sales includes software either purchased for resale or internally developed for sale to nonaffiliated third parties.

Spread Spectrum Alarm Service

Spread Spectrum Alarm Service provides for the transmission of alarm information between an alarm company and its customers and utilizes ordinary telephone loops. This service is provided pursuant to the Commission's "AST Order."

NONREGULATED ACTIVITIES

EXHIBIT II-1

PAGE 1 OF 2

NONTARIFFED* PART 32 SUMMARY ACCOUNTS APPORTIONED

USOA PART 32 SUMMARY ACCOUNT	CDAR	Debit Card	Digital NCTE	Enhanced Fax Service	Enhanced Services Planning	Inmate Services	Inside Wiring	Joint Marketing of Enhanced Services	Marketing of a Bank Credit Card	MDS	Payphone Equipment	Protocol Conversion	Professional Services	PAS	CPE	Software Sales	Special Spectrum Alarm Service	VMS
ASSETS																		
Inventories (1220)	✓		✓	✓		✓	✓			✓	✓	✓		✓	✓	✓	✓	✓
Deferred Charges (1439)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Property Held for Future Telecommunications Use (2002)																		
Telecommunications Plant Under Construction (2003)	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Telecommunications Plant Adjustment (2005)																		
General Support (2110)	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Central Office Switching (2210)	✓			✓						✓		✓		✓			✓	✓
Operator Systems (2220)																		
Central Office Transmission (2230)																	✓	
Information Origination/Termination (2310)			✓			✓					✓				✓			
Cable/Wire Facilities (2410)																		
Amortizable Tangible Assets (2680)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Depreciation and Amortization (3100-3600)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
REVENUES																		
Operating Revenues (5001-5270)											✓							
Nonregulated Operating Revenues (5280)	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Uncollectibles (5301-5302)	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
PLANT AND OTHER ASSETS																		
Network Support (6110)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
General Support (6120)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Central Office Switching (6210)	✓			✓						✓		✓		✓			✓	✓
Operator Systems (6220)																		
Central Office Transmission (6230)																	✓	
Information Origination/Termination (6310)			✓			✓	✓				✓				✓			
Cable/Wire Facilities (6410)																		

NOTE: The above table illustrates all possible interfaces between nonregulated activities and Part 32 accounts; however, these services may not result in costs attributable to each account.

* The costs of tariffed services used to provide nonregulated activities are charged at tariffed rates and are not subject to apportionment under this Manual.



NONREGULATED ACTIVITIES (Continued)
NONTARIFFED* PART 32 SUMMARY ACCOUNTS APPORTIONED

USOA PART 32 SUMMARY ACCOUNT	CDAR	Debit Card	Digital NCTE	Enhanced Fast Service	Enhanced Services Planning	Inmate Services	Inmate Wiling	Joint Marketing of Enhanced Services	Marketing of a Bank Credit Card	MDS	Payphone Equipment	Protocol Conversion	Professional Services	P/S	CPE	Software Sales	Special Spectrum Alarm Services	VMS
ACCOUNT NONREGULATED ACTIVITIES																		
Other Property/Equipment (6510)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Network Operations (6530)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Access Expenses (6540)																		
Depreciation/Amortization (6560)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
ACCOUNT NONREGULATED ACTIVITIES																		
Customer Deposits (4040)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Other Current Liabilities (4120)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Net Current Noncurrent Deferred Operating Income Taxes (4100, 4340)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Other Deferred Credits (4360)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Other Operating Income and Expense (7100)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Operating Taxes (7200)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nonoperating Income and Expenses (7300)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nonoperating Taxes (7400)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Interest and Related Items (7500)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Extraordinary Items (7600)																		
Nonregulated Income (7900)																		

NOTE: The above table illustrates all possible interfaces between nonregulated activities and Part 32 accounts; however, these services may not result in costs attributable to each account.
* The costs of tariffed services used to provide nonregulated activities are charged at tariffed rates and are not subject to apportionment under this Manual.



VI. COST APPORTIONMENT METHODOLOGY

OVERVIEW

The methodology outlined in this section is used to apportion costs between regulated services and nonregulated activities of the AOCs. The accounts included in the methodology are those included in the Commission's ratemaking process.

The tables at the end of Section VI specify the treatment of each Part 32 account included in the Cost Allocation Manual. The tables are divided into major categories reflecting the nature of the accounts, including:

- Current Assets
- Noncurrent Assets
- Telecommunications Plant In-Service
- Accumulated Depreciation and Amortization
- Current Liabilities
- Other Liabilities and Deferred Credits
- Operating Revenues
- Plant Specific Operations Expense
- Plant Nonspecific Operations Expense
- Customer Operations Expense
- Corporate Operations Expense
- Other Operating Income and Expenses
- Nonoperating Income and Expenses
- Interest and Related Items
- Extraordinary Items
- Nonregulated Income Accounts

REVENUES

Revenues from both regulated services and nonregulated activities are recorded in the books of account on the basis of Universal Service Order Codes (USOCs) and service rate elements, Carrier Access Billing System (CABS) Account Codes, billing and collection statements and miscellaneous bills. Revenues within the 5001-5270 Account Group are classified as either Telecommunications Operating Revenues or Other Operating Revenues (Non-Telecommunications). Account 5280: Nonregulated Operating Revenues summarizes the revenues derived from nonregulated activities. Subsidiary record categories are maintained to identify revenues for each nonregulated activity in Account 5280. Additionally, a revenue analysis (defined in a later discussion in this manual) of nonregulated sources is performed to determine which revenues that are not assigned to Account 5280, are associated with nonregulated activities.

COST POOL APPORTIONMENT BASES *(Continued)*

Relative Investment Cost

For those accounts where relative investment cost is specified as the basis of defining the cost pools, the proportion between the specific component of investment to the total investment indicator is used to determine the total account expenses or investment to be assigned to a cost pool.

Several different measures of relative investment cost are used; the specific measure used for an account depends upon the particular investment or expense account. The matrices define the accounts being evaluated in relation to a larger investment total for each appropriate cost pool.

Specific accounts which employ a measure of relative investment cost to apportion an account into the required cost pools are:

- Account 2111: Land
- Account 2115: Garage Work Equipment
- Account 3100: Accumulated Depreciation
- Account 6211: Analog Electronic Expense
- Account 6212: Digital Electronic Expense
- Account 6232: Circuit Equipment Expense
- Account 6531: Power Expense
- Account 6532: Network Administration Expense

Revenue Analysis

Accounts where a revenue analysis is performed require a review of underlying revenue transactions. This analysis is used where it is not possible to directly assign costs to Account 5280, Nonregulated Operating Revenue within the accounting systems used by the AOCs.

A revenue analysis locating sources of nonregulated revenue is used to identify nonregulated cost pools in the following revenue accounts:

- Account 5001: Basic Area Revenue
- Account 5050: Customer Premises Revenue
- Account 5060: Other Local Exchange Revenue
- Account 5081: End User Revenue
- Account 5082: Switched Access Revenue
- Account 5084: State Access Revenue
- Account 5100: Long Distance Message Revenue
- Account 5230: Directory Revenue
- Account 5262: Customer Operations Revenue
- Account 5263: Plant Operations Revenue
- Account 5264: Other Incidental Regulated Revenue

COST APPORTIONMENT METHODOLOGY
Current Assets/Noncurrent Assets

USOA - Part 32 Account	Cost Pools	Cost Pool Apportionment Basis	Regulated/Nonregulated Apportionment Basis	Cost Definition	Comments
1220 Inventories	Nonexempt	Cost Pool Equals Subaccount	Relative Cost: Cable and Wire Facilities Investment Accounts 2411-2441	Indirectly Attributable	This cost pool includes nonregulated property held for sale or lease such as CPE, detariffed digital NCTE and nonregulated payphone equipment.
	Held for Sale: Nonregulated	Cost Pool Equals Subaccount	Directly Assigned to Nonregulated	Directly Assignable	
	Cable and Wire Facilities	Cost Pool Equals Subaccounts	Relative Cost: Cable and Wire Facilities Investment Accounts 2411-2441	Indirectly Attributable	
	Motor Vehicles	Cost Pool Equals Subaccounts	Relative Cost: Motor Vehicle Investment (Acct. 2112)	Indirectly Attributable	
	Central Office	Cost Pool Equals Subaccount	Relative Cost: Central Office Investment Accounts 2211-2232	Indirectly Attributable	
	Other	Cost Pool Equals Subaccount	Relative Cost: Telecommunications Plant Investment Accounts 2112, 2122, 2123, 2124, 2211-2232, 2311- 2362, 2411-2441 (Less Accounts 2311, 2341 and 2351)	Indirectly Attributable	This cost pool includes all other subaccounts not included above.
1406 Nonregulated Investments	Cost Pool Equals Account	_____	Directly Assigned to Nonregulated	Directly Assignable	This account consists of investment associated with nonregulated activities not involving the joint or common use of assets or resources.
1410 Other Noncurrent Assets	Prepaid Postretirement Benefits	Not Applicable	Total Company Wages and Salaries	Indirectly Attributable	Prepaid postretirement costs are to be reflected in the interstate rate base pursuant to RAO Letter 20.
	Other	Residual of Account	Not Applicable	See Comments	This cost pool is not used in interstate ratemaking.
1439 Deferred Charges	Engineering	Cost Pool Equals Subaccount	Engineering Wages and Salaries Accounts 2211-2232, 2311- 2362, 2411-2441, 2681-2690, 6211-6232, 6311-6362, 6411- 6441	Directly Attributable	
	Compensated Absences	Cost Pool Equals Subaccount	Total Company Wages and Salaries	Indirectly Attributable	
	Other	Cost Pool Equals Subaccount	General Allocator	Unattributable	

COST APPORTIONMENT METHODOLOGY
Telecommunications Plant In-Service

USOA - Part 32 Account	Cost Pools	Cost Pool Apportionment Basis	Regulated/Nonregulated Apportionment Basis	Cost Definition	Comments
2232 Circuit Equipment (Continued)	Equal Access	Cost Pool Equals Subaccounts	Directly Assigned to Regulated	Directly Assignable	
	Network Reconfiguration	Cost Pool Equals Subaccounts	Directly Assigned to Regulated	Directly Assignable	
2311 Station Apparatus	Regulated	Not Applicable	Directly Assigned to Regulated	Directly Assignable	
	Nonregulated	Cost Pool Equals Account	Directly Assigned to Nonregulated	Directly Assignable	This account contains only nonregulated Station Apparatus Equipment investment.
2321 Customer Premises Wiring	Cost Pool Equals Account	_____	Directly Assigned to Regulated	Directly Assignable	
2341 Large Private Branch Exchanges	Regulated	Not Applicable	Directly Assigned to Regulated	Directly Assignable	
	Nonregulated	Cost Pool Equals Account	Directly Assigned to Nonregulated	Directly Assignable	This account contains only nonregulated Large Private Branch Exchanges investment.
2351 Public Telephone Terminal Equipment	Cost Pool Equals Account	_____	Directly Assigned to Nonregulated	Directly Assignable	Nonregulated Public Telephone Terminal Equipment associated with Ameritech's Inmate Services is classified as nonregulated pursuant to the Commission's Declaratory Ruling in RM-8181, Released February 20, 1996. Other payphone equipment is classified as nonregulated pursuant to CC Docket No. 96-128, Released September 20, 1996.
2362 Other Terminal Equipment	Cost Pool Equals Account	_____	Directly Assigned to Regulated	Directly Assignable	
2411 Poles	Cost Pool Equals Account	_____	Directly Assigned to Regulated	Directly Assignable	
2421 Aerial Cable	Cost Pool Equals Account	_____	Directly Assigned to Regulated	Directly Assignable	
2422 Underground Cable	Cost Pool Equals Account	_____	Directly Assigned to Regulated	Directly Assignable	
2423 Buried Cable	Cost Pool Equals Account	_____	Directly Assigned to Regulated	Directly Assignable	

COST APPORTIONMENT METHODOLOGY
Accumulated Depreciation and Amortization

USOA - Part 32 Account	Cost Pools	Cost Pool Apportionment Basis	Regulated/Nonregulated Apportionment Basis	Cost Definition	Comments
3100 Accumulated Depreciation	Central Office	Cost Pool Equals Central Office Accounts Excluding Equal Access, Network Reconfiguration and Central Office Embedded Investment in Individual Items of Small Value	Relative Cost: Central Office Investment Accounts 2211-2232 Less Equal Access, Network Reconfiguration and Central Office Embedded Investment in Individual Items of Small Value	Indirectly Attributable	Central Office cost pool is identified through time and expense reporting to Field Reporting Codes representing detailed plant accounts.
	Information Origination/Termination	Cost Pool Equals Information Origination/Termination Accounts Excluding Nonregulated CPE, Large Private Branch Exchanges and Public Telephone Terminal Equipment	Relative Cost: Information Origination/Termination Investment Accounts 2311-2362 Less Accounts 2311, 2341 and 2351	Indirectly Attributable	Information Origination/Termination cost pool is identified through time and expense reporting to Field Reporting Codes representing detailed plant accounts.
	Cable and Wire Facilities	Cost Pool Equals Cable and Wire Facilities Accounts Excluding Network Reconfiguration	Relative Cost: Cable and Wire Facilities Investment Accounts 2411-2441 Less Network Reconfiguration	Indirectly Attributable	Cable and Wire Facilities cost pool is identified through time and expense reporting to Field Reporting Codes representing detailed plant accounts.
	General Support Assets	Cost Pool Equals General Support Assets Accounts Excluding Land, Equal Access and General Support Assets Embedded Investment in Individual Items of Small Value	Relative Cost: General Support Assets Investment Accounts 2111-2124 Less Acct. 2111, Equal Access and General Support Assets Embedded Investment in Individual Items of Small Value	Indirectly Attributable	General Support Assets cost pool is identified through time and expense reporting to Field Reporting Codes representing detailed plant accounts.
	Nonregulated	Cost Pool Equals Nonregulated Accounts	Directly Assigned to Nonregulated	Directly Assignable	Nonregulated cost pool is identified through time and expense reporting to Field Reporting Codes representing detailed plant accounts.
	Central Office Embedded Investment in Individual Items of Small Value	Cost Pool Equals Central Office Embedded Investment in Individual Items of Small Value Accounts	Relative Cost: Central Office Embedded Investment in Individual Items of Small Value Accounts 2211-2232	Indirectly Attributable	The amounts included in this cost pool represent the accumulated depreciation related to the embedded investment in Central Office test equipment and tools costing between \$200 and \$500 which is being amortized over an eight year period as specified in CC Docket No. 87-135.